Toso Co Ltd v Goodmeyer Curtain Accessories Supply Sdn Bhd

HIGH COURT (KUALA LUMPUR) — SUIT NO WA-22IP-84–12 OF 2019
YUSRIN FAIDZ JC
30 JULY 2024

Civil Procedure — Orders — Protective and sealing order — Application for protective and sealing order to shield commercially sensitive and confidential information and documents from being publicly disclosed during assessment of damages — Establishment of 'confidentiality club' — The Sierra Club test — Whether protective order was necessary — Whether benefits of protective order outweighed harm — Courts of Judicature Act 1964 s 15

The plaintiff's copyright infringement claim against the defendant in relation to a curtain track design was allowed by the High Court with an order for damages to be assessed. The plaintiff then filed a notice for direction for assessment of damages and subsequently filed the present application ('encl 161') to seek a protective and sealing order to shield commercially sensitive and confidential information and documents related to the plaintiff's New Delac products ('the said products') and business in Malaysia from being publicly disclosed during the assessment of damages. The documents that the plaintiff sought to protect included the license agreement and annual royalty reports between the plaintiff and their exclusive distributors and licensee, the documents containing pricing information of the said products, and the documents containing operational costs of the said products ('the said documents'). The plaintiff further requested that the assessment of damages proceedings be heard in camera in accordance with s 15(1) of the Courts of Judicature Act 1964. The defendant on the other hand proposed for a full disclosure of the information. The issues that arose were: (a) whether protective order was necessary; and (b) whether the benefits of the protective order outweighed the harm.

Held, allowing the plaintiff's application for protective order as per encl 161 with costs in the cause:

(1) Applying the test that was established in the Supreme Court of Canada case, *Sierra Club of Canada v Canada (Minister of Finance)* [2002] 2 SCR 522 ('the *Sierra Club* test'), in order to assess whether protective or sealing order was necessary to prevent a serious risk to commercial interest to the plaintiff, the question would be to ask whether the existing protection on confidentiality was sufficient to prevent such risk (see paras 14 & 17).

(2) As it stands, the existing protection on confidentiality to the plaintiff was the implied undertaking as to confidentiality. Based on the nature of the said documents, the court was of the considered view that such documents were confidential and required more protection than a mere implied undertaking of confidentiality. This was especially so when such documents became part of court records which would be made accessible to the public via the court's electronic filing system ('EFS'). Without protective measures, it was possible for savvy competitors who were not parties to the current litigation to comb the publicly available dockets in the EFS wherein such information would allow them to gain insights of the plaintiff's trade secrets and competitive advantage. Therefore, such protective order was necessary and crucial in order for the plaintiff to maintain its competitive business interests (see paras 18 & 26).

(3) Applying the second question of the *Sierra Club* test to the facts of the present case, the court was of the view that the benefits of the protective and sealing order outweighed the potential harm. The advantage of the order was that it would enable the plaintiff to proceed with the assessment of damages as intended. Without the order, the plaintiff would be unable to produce the necessary documents to prove damages on the basis of loss of royalties. Thus, the primary interest promoted by the protective and sealing order was the public interest in a civil litigants right to present its case, or more broadly, the right to a fair trial. The only restriction was on the use and dissemination of those documents, aimed solely at safeguarding confidential information, and not on the defendants ability to review them (see paras 31–32).

(4) The scenario contemplated in the prayers in encl 161 effectively established a confidentiality ring, also known as a 'confidentiality club'. A confidentiality club was an agreement signed between the parties in a proceeding to restrict the dissemination of confidential information and documents to certain authorised individuals. These clubs were established to allow the use of specific confidential documents and sensitive information by either party during the recording of evidence. In addition to being formed through an agreement, a confidentiality club could also be created by a court order. In the present case, the defendant was a member of a 'single-tier' confidentiality club. Given the defendant's inclusion as a member, there was no risk or prejudice to them in maintaining the confidentiality measures requested (see paras 34 & 36).

(5) The court was of the considered view that the protective and sealing order struck a balance between the defendant's need to access documents for a fair assessment of damages and the plaintiff's right to protect confidential information. The defendant's ability to prepare their case was preserved while also respecting the plaintiff's business interests. Implementing the protective and sealing order also promoted judicial efficiency by reducing

A the risk of additional litigation over the misuse of confidential information. This proactive measure ensured a smoother legal process and minimised potential conflicts (see para 37).

[Bahasa Malaysia summary

B Tuntutan pelanggaran hak cipta plaintif terhadap defendan berhubung reka bentuk landasan tirai telah dibenarkan oleh Mahkamah Tinggi dengan perintah supaya ganti rugi ditaksirkan. Plaintif kemudiannya memfailkan notis untuk arahan bagi penaksiran ganti rugi dan kemudiannya memfailkan permohonan semasa ('lampiran 161') untuk mendapatkan perintah C perlindungan dan pengedap bagi melindungi maklumat dan dokumen sensitif dan sulit secara komersial yang berkaitan dengan produk-produk New Delac plaintif ('produk-produk tersebut') dan perniagaan plaintif di Malaysia daripada didedahkan secara terbuka semasa penaksiran ganti rugi. Dokumen-dokumen yang ingin dilindungi oleh plaintif termasuklah D perjanjian lesen dan laporan royalti tahunan antara plaintif dengan pengedar dan pemegang lesen eksklusif mereka, dokumen-dokumen yang mengandungi maklumat harga produk-produk tersebut, dan dokumen-dokumen yang mengandungi kos operasi produk-produk tersebut ('dokumen-dokumen tersebut'). Plaintif seterusnya memohon supaya prosiding penaksiran ganti E rugi tersebut didengar secara tertutup mengikut s 15(1) Akta Mahkamah Kehakiman 1964. Defendan sebaliknya mencadangkan supaya maklumat tersebut didedahkan sepenuhnya. Isu-isu yang timbul ialah: (a) sama ada perintah perlindungan tersebut perlu; dan (b) sama ada faedah perintah perlindungan tersebut mengatasi bahayanya.

F **Diputuskan**, membenarkan permohonan plaintif untuk perintah perlindungan seperti lampiran 161 dengan kos dalam kausa:

(1) Mengguna pakai ujian yang telah ditubuhkan dalam kes Mahkamah G Agung Kanada, *Sierra Club of Canada v Canada (Minister of Finance)* [2002] 2 SCR 522 ('ujian *Sierra Club*'), bagi menilai sama ada perintah perlindungan atau pengedap adalah perlu untuk mengelakkan risiko serius terhadap kepentingan komersial kepada plaintif, persoalannya ialah untuk bertanya sama ada perlindungan sedia ada mengenai H kerahsiaan adalah mencukupi untuk mencegah risiko tersebut (lihat perenggan 14 & 17).

(2) Pada ketika ini, perlindungan sedia ada mengenai kerahsiaan kepada plaintif adalah aku janji tersirat mengenai kerahsiaan. Berdasarkan jenis dokumen-dokumen tersebut, mahkamah berpendapat bahawa I dokumen-dokumen tersebut adalah sulit dan memerlukan perlindungan yang lebih daripada aku janji kerahsiaan semata-mata. Terutama sekali apabila dokumen-dokumen sedemikian menjadi sebahagian daripada rekod mahkamah yang boleh diakses oleh orang ramai melalui sistem pemfailan elektronik ('SPE') mahkamah. Tanpa langkah-langkah

perlindungan, pesaing-pesaing yang bijak dan bukan pihak dalam litigasi semasa boleh menyisir doket yang tersedia secara umum dalam SPE tersebut di mana maklumat sedemikian akan membolehkan mereka mendapatkan maklumat tentang rahsia dagangan dan kelebihan daya saing plaintif. Oleh itu, perintah perlindungan sedemikian adalah perlu dan penting untuk plaintif mengekalkan kepentingan perniagaannya yang kompetitif (lihat perenggan 18 & 26).

(3) Dengan mengaplikasikan soalan kedua ujian *Sierra Club* kepada fakta kes semasa, mahkamah berpendapat bahawa faedah perintah perlindungan dan pengedap tersebut melebihi potensi bahayanya. Kelebihan perintah tersebut ialah ia membolehkan plaintif meneruskan penaksiran ganti rugi seperti yang dimaksudkan. Tanpa perintah tersebut, plaintif tidak akan dapat mengemukakan dokumen-dokumen yang diperlukan untuk membuktikan ganti rugi berdasarkan kehilangan royalti. Oleh itu, kepentingan utama yang dipromosikan oleh perintah perlindungan dan pengedap tersebut ialah kepentingan awam dalam hak pihak litigasi sivil untuk membentangkan kesnya, atau lebih luas lagi, hak untuk perbicaraan yang adil. Satu-satunya sekatan adalah pada penggunaan dan penyebaran dokumen-dokumen tersebut yang bertujuan semata-mata untuk melindungi maklumat sulit, dan bukan untuk menyekat keupayaan defendan untuk menyemaknya (lihat perenggan 31–32).

(4) Senario yang direnungkan dalam permohonan-permohonan dalam lampiran 161 secara kesannya mewujudkan 'confidentiality ring', juga dikenali sebagai 'confidentiality club'. 'Confidentiality club' ialah perjanjian yang ditandatangani antara pihak-pihak dalam prosiding untuk menyekat penyebaran maklumat dan dokumen-dokumen sulit kepada individu-individu tertentu yang diberi kuasa. Kelab-kelab ini ditubuhkan untuk membenarkan penggunaan dokumen-dokumen sulit khusus dan maklumat sensitif oleh mana-mana pihak semasa rakaman keterangan. Selain dibentuk melalui perjanjian, 'confidentiality club' juga boleh diwujudkan melalui perintah mahkamah. Dalam kes semasa, defendan adalah ahli kepada 'single-tier' confidentiality club. Memandangkan kemasukan defendan sebagai ahli, tiada risiko atau prejudis kepada mereka dalam mengekalkan langkah-langkah kerahsiaan yang diminta (lihat perenggan 34 & 36).

(5) Mahkamah berpendapat bahawa perintah perlindungan dan pengedap tersebut membentuk keseimbangan antara keperluan defendan untuk mengakses dokumen-dokumen untuk penaksiran ganti rugi yang adil dan hak plaintif untuk melindungi maklumat sulit. Keupayaan defendan untuk menyediakan kes mereka dipelihara di samping menghormati kepentingan perniagaan plaintif. Pelaksanaan perintah perlindungan dan pengedap tersebut juga menggalakkan kecekapan kehakiman dengan mengurangkan risiko litigasi tambahan atas penyalahgunaan maklumat

A sulit. Langkah proaktif ini memastikan proses undang-undang yang lebih lancar dan meminimumkan potensi konflik (lihat perenggan 37).]

Cases referred to

BBW v BBX and Others [2016] SGHC 190; [2016] 5 SLR 755, HC (refd)
B *Central Sugars Refinery Sdn Bhd v Tang @ Tung Shook Kuan* [2020] MLJU 798; [2020] 1 LNS 693, HC (refd)
Crest Homes plc v Marks and others [1987] 2 All ER 1074, HL (refd)
Entinck v Carrington (1765) 95 ER 807 (refd)
C *Kingtime International Ltd & Anor v Petrofac E&C Sdn Bhd* [2020] 11 MLJ 141, HC (refd)
Koger Inc and another v O'Donnell and others [2009] IEHC 385, HC (refd)
Megnaway Enterprise Sdn Bhd v Soon Lian Hock (sole proprietor of the firm Performance Audio & Car Accessories Enterprise) [2009] 3 MLJ 525, HC (refd)
D *Mobil Oil Australia Ltd & McDonalds Australia Ltd v Guina Developments Pty Ltd* [1996] 2 VR 34, CA (refd)
Riddick v Thames Board Mills Ltd [1977] 3 All ER 677, CA (refd)
Schmidt Scientific Sdn Bhd v Ong Han Suan [1997] 5 MLJ 632, HC (refd)
E *Shaifubahrim bin Mohd v EM Exhibitions (M) Sdn Bhd & Anor* [2012] 9 MLJ 84, HC (refd)
Sherman Estate v Donovan [2021] SCJ No 25, SC (refd)
Sierra Club of Canada v Canada (Minister of Finance) [2002] 2 SCR 522, SC (folld)
F *Tenaga Nasional Bhd v Ice Man Sdn Bhd* [2020] 11 MLJ 584, HC (refd)
Thomas Marshall (Exports) Ltd v Guinle [1978] 3 All ER 193, Ch D (refd)
Warner-Lambert Co v Glaxo Laboratories Limited [1975] RPC 354, CA (refd)

Legislation referred to

G Courts of Judicature Act 1964 s 15(1), (2)
Delhi High Court (Original Side) Rules, 2018 r 17, Chapter VII
Rules of Court 2012 O 37 r 1, O 92 r 4

Su Siew Ling (Elica Wong Ying Shaang with her) (Linda Wang Su & Boo) for the plaintiff.
H *Kok Pok Chin (Ng Pau Chze with him) (PC Kok & Co) for the defendant.*

Yusrin Faidz JC:

INTRODUCTION

I

[1] In this judgment, we delve into the plaintiffs application in encl 161, seeking a protective and sealing order to shield commercially sensitive and confidential information from being publicly disclosed during the assessment of damages. The defendant, standing in opposition, champions the cause of

full disclosure, asserting its indispensability for a fair trial. The court, the arbiter of this contest, must now walk a tightrope, balancing the need for confidentiality, a closely guarded treasure, with the transparency that is the lifeblood of a just legal system.

BACKGROUND FACTS

[2] Pursuant to a full trial, my learned brother Azlan bin Sulaiman JC has allowed the plaintiff's copyright infringement claim against the defendant. The key question during trial revolves around the plaintiff's copyright in their New Delac curtain track design; wherein this court found that the defendant's Yokita curtain track design infringes the plaintiff's New Delac track design. The judgment of my learned brother dated 21 September 2022 includes the plaintiff's relief for damages to be assessed; wherein a notice for direction for assessment of damages pursuant to O 37 r 1 of the Rules of Court 2012 ('the Rules') was duly filed on 19 January 2023 (encl 151).

[3] With an eye towards shielding their confidential and commercially sensitive documents, the plaintiff filed this application (encl 161) on 11 October 2023. In general, the plaintiff seeks the following from the court:

(a) *protection of confidential information*: that specific documents and information related to their business dealings and internal records (referred to as 'protected information') be used exclusively for the proceedings assessing the plaintiffs damages;

(b) *limited disclosure*: that the protected information be disclosed only to certain individuals involved in the proceedings, including the judge, court personnel, legal counsel, named representatives, witnesses, and a designated transcriber. Specific recipients must sign a confidentiality undertaking;

(c) *confidentiality maintenance*: that all recipients of the protected information maintain its confidentiality and not discuss or disclose it to non-recipients, even after the conclusion of the proceedings;

(d) *secure filing and handling*: that the protected information is filed in physical form only, kept separate from other documents, sealed with a clear confidentiality notice, and not made accessible to the public; and

(e) *in camera proceedings*: that the assessment of damages be conducted in a closed session (in camera), excluding non-recipients and ensuring that only authorised personnel can access the recordings and transcripts of the proceedings.

[4] On 19 February 2024, after considering parties' submissions, I allowed the plaintiffs application.

ISSUES

[5] The application focuses on the following issues:

(a) whether protective order is necessary; and

(b) whether the benefits of the protective order outweigh the harm.

Whether protective order is necessary

Counsels' contentions on whether protective order is necessary

[6] The defendant's learned counsel, Kok Pok Chin, argues that it is neither necessary nor in the interest of justice for the plaintiff to apply for such a protective order that aims to avoid scrutiny of its documents. The application is said to be made by misapplication of authorities as it is usual even for high profile cases to be conducted openly.

[7] The defendant argues that there is nothing unique or exceptional in the current case that justifies the plaintiffs secrecy about their commercial documents compared to cases involving high profile figures and their financial transactions. In fact, according to the defendant, the price of their Yokita product is lower if compared with the product of the plaintiff wherein there would be no risk or detriment to the plaintiff's business.

[8] The learned counsel for the plaintiff, Su Siew Ling argues that their application is made in good faith and is essential for preserving the confidentiality of commercially sensitive and proprietary information related to the plaintiff's New Delac products and business in Malaysia. If the documents and information are disclosed to third parties, especially competitors in the curtain rails and accessories industry, the plaintiff argues that this would result in severe prejudice and detriment to their business. It is argued that competitors could potentially determine the costs, profits, and profit margins of the plaintiff's New Delac products, which would negatively impact the plaintiffs competitive position.

Court's findings on whether protective order is necessary

[9] Section 15(1) of the Courts of Judicature Act 1964 provides that anyone is entitled to see a document filed with the court, with the proviso that 'the court shall have power to hear any cause or matter or any part thereof in camera if the court is satisfied that it is expedient in the interests of justice, public safety, public security or propriety, or for other sufficient reason so to do'. Further, s 15(2) of the Act provides as follows:

(2) A Court may at any time order that no person shall publish the name, address or

photograph of any witness in any cause or matter or any part thereof tried or held or to be tried or held before it, or any evidence or any other thing likely to lead to the identification of any such witness; and any person who acts in contravention of any such order shall be guilty of an offence and shall, on conviction, be liable to a fine not exceeding five thousand ringgit or to imprisonment for a term not exceeding three years or to both.

[10] The court recognises the challenges that arise when addressing confidentiality issues during legal proceedings. There is a public interest in maintaining open justice, as well as an equally important public interest in ensuring a fair trial where both parties have unrestricted access to all pertinent materials. However, there is also a competing public interest in protecting confidential information, particularly trade secrets, from becoming public or being misused by the opposing party as a result of the proceedings.

[11] Many well-known cases across common law jurisdictions with discovery rules provide insight into the principles and approaches used to balance these competing public interests. Examples include *Mobil Oil Australia Ltd & McDonalds Australia Ltd v Guina Developments Pty Ltd* [1996] 2 VR 34 (CA) (Australia), *Koger Inc and another v O'Donnell and others* [2009] IEHC 385 (HC) (Ireland) and *Warner-Lambert Co v Glaxo Laboratories Limited* [1975] RPC 354 (CA) (England and Wales).

[12] Our courts have acknowledged its inherent jurisdiction to grant such protective orders under O 92 r 4 of the Rules as outlined in the case of *Kingtime International Ltd & Anor v Petrofac E&C Sdn Bhd* [2020] 11 MLJ 141 (HC). In the said case, Wong Kian Kheong J (as His Lordship then was) relied on the Singapore High Court decision in *BBW v BBX and Others* [2016] SGHC 190; [2016] 5 SLR 755 (HC) wherein it was held that the court has an inherent power to grant sealing orders barring public access to court files and documents in appropriate cases. The primary purpose of this jurisdiction is to prevent injustice or an abuse of process. Protective and sealing orders are a vital tool to ensure that confidential information is disclosed in a controlled manner, minimizing any potential harm while facilitating the fair resolution of disputes.

[13] In *Kingtime International Ltd & Anor v Petroface E&C Sdn Bhd,* the High Court held that in deciding to grant a protective order or otherwise the court should balance the following competing considerations:

(a) public interest requires all relevant evidence to be disclosed to the court so as to enable the court to decide justly the case at hand;

(b) the plaintiff's right to apply for discovery of all relevant documents in support of the plaintiff's claim; and

(c) the need to protect the defendant's proprietary interest in the confidential information in question.

[14] According to the English case *Warner-Lambert Co v Glaxo Laboratories Ltd*, there is no universal or general formula to follow. Nonetheless, I believe the following two-pronged test established in the Supreme Court of Canada case, *Sierra Club of Canada v Canada (Minister of Finance)* [2002] 2 SCR 522 (SC), may serve as a guide for determining the applicable standard:

(a) such an order is necessary in order to prevent a serious risk to an important interest, including a commercial interest, in the context of litigation because reasonably alternative measures will not prevent the risk; and

(b) the salutary effects of the confidentiality order, including the effects on the right of civil litigants to a fair trial, outweigh its deleterious effects, including the effects on the right to free expression, which in this context includes the public interest in open and accessible court proceedings ('the *Sierra Club* test');

[15] The Supreme Court of Canada refined the *Sierra Club* test in its 2021 decision in *Sherman Estate v Donovan* [2021] SCJ No 25 (SC), finding that the test required the following three prerequisites:

(a) court openness poses a serious risk to an important public interest;

(b) the sealing order is necessary to prevent this serious risk to the identified interest because reasonably alternative measures will not prevent this risk; and

(c) as a matter of proportionality, the benefits of the sealing order outweigh its negative effects.

[16] Based on decided cases, it is observed that the three pre-requisites in *Sherman Estate v Donovan* are typically applied in situations where an individual's dignity and core identity would be at risk if the information were publicly disclosed. This approach ensures that the court's discretion upholds the presumption in favor of open courts, while also providing sufficient flexibility to protect other public interests, including privacy concerns.

[17] Applying the *Sierra Club* test, in order to assess whether protective or sealing order is necessary to prevent a serious risk to commercial interest to the plaintiff, the question would be to ask whether the existing protection on confidentiality is sufficient to prevent such risk.

[18] As it stands, the current protection on confidentiality to the plaintiff is

the implied undertaking as to confidentiality. In the English case of *Crest Homes plc v Marks and others* [1987] 2 All ER 1074 (HL) Lord Oliver of Aylmerton (at p 1078) held that it 'must, in my judgment, clearly be right that the implied undertaking applies not merely to the documents discovered themselves but also to information derived from those documents whether it be embodied in a copy or stored in the mind'.

[19] Such implied undertaking is referred to by Wong Kian Kheong J in *Kingtime International Ltd & Anor v Petroface E&C Sdn Bhd* (at para 21) where he held as follows:

> [21] I have not overlooked the fact that when a party ('Y') is successful in obtaining a discovery order, there is an implied undertaking by Y that Y can only use the documents disclosed by the discovery order for the case in question and not to use the documents for any collateral or ulterior purpose ('implied undertaking') — please see the judgment of Lord Denning MR in UK's Court of Appeal in *Riddick v Thames Board Mills Ltd* [1977] 3 All ER 677, at pp 687–688. I am of the view that the implied undertaking by the first plaintiff is not adequate in this case to protect the defendant's legitimate interest in the confidential information. It is only just and appropriate to grant the protective order so as to ensure that the confidential information is not leaked to the detriment of the defendant.

[20] Considering that the discovery process is generally private, and that 'papers are often the dearest property a man can have' (*Entinck v Carrington* (1765) 95 ER 807 at p 818), the defendant, who is the prospective recipient of the plaintiff's affidavit containing commercially sensitive and proprietary information, is under a general obligation to keep such documents confidential. This obligation amounts to an implied undertaking of confidentiality, restricting the party receiving such documents from using the information for purposes other than the action at hand. As Lord Denning MR states in *Riddick v Thames Board Mills Ltd* [1977] 3 All ER 677 (CA) at p 687:

> A party who seeks discovery of documents gets it on condition that he will make use of them only for the purposes of that action, and no other purpose. To use a document produced for inspection for a collateral or ulterior purpose is a misuse against which the court will proceed for contempt or by injunction ...

[21] Since an implied undertaking regarding confidentiality is an obligation arising from legal process, the court has the authority to impose sanctions on the use of such documents.

[22] Contrary to the defendant's objections, there is no dispute that the plaintiff is entitled to quantify their losses on the basis of loss of royalties (see: *Megnaway Enterprise Sdn Bhd v Soon Lian Hock (sole proprietor of the firm Performance Audio & Car Accessories Enterprise)* [2009] 3 MLJ 525 (HC)). Based on the plaintiff's argument, in order to support their assessment of

damages, the plaintiff wishes to produce the following documents in an affidavit form:

(a) license agreement and annual royalty reports between the plaintiff and their exclusive distributor and licensee in Malaysia for the plaintiff's New Delac products;

(b) documents containing pricing information of the New Delac products offered to the said exclusive distributor and licensee by the plaintiff and to the plaintiff by its suppliers which are digitalised, recorded in and extracted from plaintiff's internal database, including correspondences between the plaintiff and its distributors and/or suppliers containing the aforementioned information; and

(c) documents containing sales, general and administrative expense ie operational costs of the New Delac products which are digitalised, recorded in and extracted from the plaintiffs internal database, including correspondences between the plaintiff and its distributors and/or suppliers containing the aforementioned information.

[23] In *Thomas Marshall (Exports) Ltd v Guinle* [1978] 3 All ER 193 (HC), the English High Court held as follows:

> *Costs and prices which are not generally known may well constitute trade secrets or confidential information:* see *Herbert Morris Ltd v Saxelby* [1916] 1 AC 688, referring to prices.
>
> If one turns from the authorities and looks at the matter as a question of principle, I think (and I say this very tentatively, because the principle has not been argued out) that four elements may be discerned which may be of some assistance in identifying confidential information or trade secrets which the court will protect. I speak of such information or secrets only in an industrial or trade setting. *First, I think that the information must be information the release of which the owner believes would be injurious to him or of advantage to his rivals or others. Second, I think the owner must believe that the information is confidential or secret, ie that it is not already in the public domain*. It may be that some or all of his rivals already have the information: but as long as the owner believes it to be confidential I think he is entitled to try and protect it. *Third, I think that the owner's belief under the two previous heads must be reasonable. Fourth, I think that the information must be judged in the light of the usage and practices of the particular industry or trade concerned*. It may be that information which does not satisfy all these requirements may be entitled to protection as confidential information or trade secrets: but I think that any information which does satisfy them must be of a type which is entitled to protection. (Emphasis added.)

[24] In *Shaifubahrim bin Mohd v EM Exhibitions (M) Sdn Bhd & Anor* [2012] 9 MLJ 84 (HC), Hanipah Farikullah JC (as Her Ladyship then was) cited the following passage from *Thomas Marshall (Exports) Ltd v Guinle* and

held as follows:

> [78] In the case of *Thomas Marshall (Exports) Ltd v Guinle* [1978] 3 All ER 193, where it was protected as confidential information held:
>
> ' ... the names and telex addresses of the company's manufacturers and suppliers and their individual contacts; the negotiated prices paid by the company ... '

[25] In *Schmidt Scientific Sdn Bhd v Ong Han Suan* [1997] 5 MLJ 632 (HC) Kamalanathan Ratnam JC (as His Lordship then was) held that (at p 634):

> it is my judgment that trade secrets are not limited to manufacturing processes or secret formulae *but extend to information relating to the list of names and addresses of customers and suppliers, specific questions sent to the customers, cost prices, specific needs and requirements of the customers and status of ongoing negotiations with the customers*. (Emphasis added.)

[26] Based on its nature, I am of the considered view that such documents are confidential and requires more protection than a mere implied undertaking of confidentiality. This is especially so when such documents become part of court records which would be made accessible to the public via the court's electronic filing system ('EFS'). Without protective measures, it is possible for savvy competitors who are not parties to the current litigation to comb the publicly available dockets in the EFS wherein such information would allow them to gain insights of the plaintiff's trade secrets and competitive advantage. I am therefore of the view that such protective order is necessary and crucial in order for the plaintiff to maintain its competitive business interests. The protective order ensures that proprietary information belonging to the plaintiff does not fall into the wrong hands or get misused.

Whether the benefits of the protective order outweigh the harm

Counsels' contentions on whether the benefits of the protective order outweigh the harm

[27] It is argued by the defendant that the plaintiffs application to hear the case in camera is a direct attack on the well-established principle of open court in this country. This is because it would deny public scrutiny of its documents and damages claim, potentially undermining public confidence in the justice system and weakening public understanding of judicial proceedings. The case of *Tenaga Nasional Bhd v Ice Man Sdn Bhd* [2020] 11 MLJ 584 (HC) is cited to argue that what the plaintiff is applying would encourage trial by ambush.

[28] The plaintiff emphasises that the protected information is highly proprietary, confidential, and not publicly accessible. Therefore, its

nondisclosure would not adversely affect the public. Consequently, the plaintiff argues that there is a compelling reason to grant their application for a protective order.

[29] As to the effect of such order, the case of *Central Sugars Refinery Sdn Bhd v Tang @ Tung Shook Kuan* [2020] MLJU 798; [2020] 1 LNS 693 (HC) is relied upon by the plaintiff to argue that the protection or sealing order does not have any prejudicial effect on the defendant's liability as each parties right are still preserved and they can still argue their respective cases before this court notwithstanding such protection or order.

Court's findings on whether the benefits of the protective order outweigh the harm

[30] To determine whether the benefits of the order outweigh the potential harm, it is essential to examine the terms of the requested protective and sealing order. According to encl 161, the plaintiff seeks the following measures to handle the protected information:

> 2. The said Protected Information shall not, directly or indirectly, be disclosed in any manner to any person except to the following persons ('Recipients'):
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> (a) The learned Judge, Judicial Commissioner or Registrar who conducts the proceedings for assessment of damages;
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> (b) Court personnel who assist directly with the proceedings;
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> (c) The Plaintiffs counsel or solicitors who are directly involved in the proceedings and to whom disclosure is necessary;
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> (d) The Defendant's counsel or solicitors who are directly involved in the
>
> (e) proceedings and to whom disclosure is necessary;
>
> (f) Named representatives of the Plaintiff;
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> (g) Named representatives of the Defendant and any other persons within
>
> (h) the Defendant to whom disclosure is strictly necessary;
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> (i) Witnesses giving evidence in the proceedings;
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> (j) The person who prepares the notes of proceedings for the Plaintiffs assessment of damages (as agreed in writing by the Plaintiff and Defendant) ('Nominated Transcriber').
>
> PROVIDED ALWAYS that the persons and individuals stated in subparagraphs (d), (f), (g) and (h) shall, prior to being shown or given any disclosure of or access to the said Protected Information, sign and execute the Undertaking in Annexure-A hereto. Each original signed Undertaking will be kept by the Plaintiff and/or the Plaintiff's counsel or solicitors.

3. The Recipients shall not disclose or discuss in any manner the said Protected Information or any part thereof with any other person, except other Recipients, even after the conclusion of the current proceedings and for so long as the information remains confidential.

4. The said Protected Information shall be filed or submitted to the Court in physical form only and shall:

(a) be segregated from other documents which have been filed or submitted to the Court;

(b) sealed with the following note ('Note') clearly visible:

Confidential Information Pursuant to the Protective Order governing the confidentiality of the Plaintiff's Protected Information, this package shall remain sealed in the Court files and is neither to be opened nor the contents thereof be accessed, displayed, disclosed or revealed except in accordance with the terms of the Protective Order and permitted by the Court.

(c) not to be disclosed, or be made accessible, or made available for public access and/or inspection by any persons in any form/manner and by any means.

5. The proceedings for the Plaintiff's assessment of damages shall be heard in camera ('Proceedings in Camera') in accordance with s 15(1) of the Courts of Judicature Act 1964 and:

(a) any person who is not a Recipient shall not be allowed to attend the Proceedings in Camera;

(b) the Court's 'Recording and Transcription Electronic System' shall be disabled in respect of the Proceedings in Camera;

(c) the Proceedings in Camera shall be recorded in an audio form ('audio recording') and shall be transcribed ('transcript') by the Nominated Transcriber; and

(d) the transcript and audio recording shall:

(i) be sealed with the Note clearly visible;

(ii) be treated as confidential information which is subject to this

(iii) Order; and

(iv) only be given to the Recipients.

6. The terms and conditions of this Order shall preserve the confidentiality of the said Protected Information, and shall continue to remain in force so long as the information remains confidential.

7. Nothing in this Order shall:

(a) affect any communications between the Plaintiff, Defendant and their respective counsel and solicitors.

A (b) have any meaning or be understood as the Court having made a finding that the said Protected Information is inadmissible in the proceedings, unless the Court makes a ruling or there is an Order to this effect

8. The cost of this application shall be made cost in the cause;

B 9. The parties be at liberty to apply to include any further documents or information as the said Protected Information; and

...

C **[31]** Applying the second question of the *Sierra Club* test to the facts of this case, I am of the view that the benefits of the protective and sealing order outweigh the potential harm. The advantage of the order is that it would enable the plaintiff to proceed with the assessment of damages as intended. Without the order, the plaintiff would be unable to produce the necessary documents to D prove damages on the basis of loss of royalties. Thus, the primary interest promoted by the protective and sealing order is the public interest in a civil litigant's right to present its case, or more broadly, the right to a fair trial.

[32] Moreover, I find the defendant's contention that the protective and E sealing order limits their access to documents to be entirely unsubstantiated. The order, in reality, grants the defendant complete access to all documents necessary for the assessment of damages. The only restriction is on the use and dissemination of those documents, aimed solely at safeguarding confidential information, and not on the defendant's ability to review them. It seems the F defendant's complaint is less about access and more about an unwillingness to respect the necessary confidentiality.

[33] I am of the view that the scenario contemplated in the prayers in encl 161 effectively establishes a confidentiality ring, also known as a G 'confidentiality club,' which is frequently used in patent infringement and trade secrets cases within commonwealth jurisdictions. In India, the Delhi High Court developed this concept and included it in the Delhi High Court (Original Side) Rules, 2018 under Chapter VII r 17, which is reproduced herein:

H

17 *Confidentiality Club* — When parties to a commercial suit wish to rely on document/documents that are commercially or otherwise confidential in nature, the Court may constitute a confidentiality Club so as to allow limited structure/protocol, for the establishment and functioning of such Club, as it may deem appropriate. An illustrative structure/protocol of the Confidentiality Club is I provided in ANNEXURE F. The Court may appropriately mould the structure/protocol of the Club, based upon the facts and circumstances of each case.

ANNEXURE F

CHAPTER VII

RULE 17

PROTOCOL OF CONFIDENTIALITY CLUB

Procedure to be followed in dealing with confidential documents/ information Upon hearing of an application, the Court may allow constitution of a Confidentiality Club in the following manner:

(a) All documents/information considered as confidential ("Confidential Documents/Information") by the Court shall be permitted to be filed in a sealed cover to kept in the safe custody of Registrar General.

(b) Each party shall nominate not more than three Advocates, who are not and have not been in-house lawyers of either party, and not more than two external experts, who shall constitute the Confidentiality Club. Members of the Confidentiality Club alone shall be entitled to inspect the Confidential Documents/Information.

(c) Members of the Confidentiality Club shall be allowed to inspect the Confidential Documents/Information before the Registrar General, without making copies thereof. After the inspection, the Confidential Documents/Information shall be resealed and kept in the custody of the Registrar General.

(d) Members of the Confidentiality Club shall not make copies of, or disclose, or publish the contents of, the Confidential Documents/Information to anyone else in any manner or by any means, or in any other legal proceedings and shall be bound by the orders of the Court in this behalf.

(e) During recordal of evidence with respect to the Confidential Documents/Information, only members of the Confidentiality Club shall be allowed to remain present.

(f) During proceedings of the Court, when the Confidential Documents/Information are being looked at or their contents discussed, only members of the Confidentiality Club shall be permitted to be present.

(g) The Court may in its discretion and in an appropriate case, permit copies of the Confidential Documents to be given to the opposite party after redacting confidential information therefrom, if such redaction be possible and not otherwise.

(h) Any evidence by way of affidavit or witness statement containing confidential information derived from the Confidential Documents/Information shall be kept in a sealed cover with the Registrar General and would be accessible only to the members of the Confidentiality Club. However, a party filing such evidence by way of affidavit shall, if so directed by the Court, give to the opposite party, a copy of such affidavit after redacting therefrom the confidential information, if such redaction is possible and not otherwise.

(i) The Confidential Documents/Information shall not be available for inspection after disposal of the matter, except to the Party producing the same.

(j) In cases where the Confidentiality Club is constituted or documents are directed to be kept confidential, the Court may consider extending the time for filing of pleadings. However, the same shall be within the overall limits prescribed by the applicable provisions.

[34] A confidentiality club is an agreement signed between the parties in a proceeding to restrict the dissemination of confidential information and documents to certain authorised individuals. These clubs are established to allow the use of specific confidential documents and sensitive information by either party during the recording of evidence. In addition to being formed through an agreement, a confidentiality club can also be created by a court order.

[35] In this context, it is pertinent to note that both litigants have already been practicing some form of confidentiality arrangement earlier in the proceedings. During trial, my learned brother granted the plaintiff's application to redact commercially sensitive information in the plaintiff's documents (encl 9), including the protected information. Similarly, the defendant's application to redact information in their documents (encl 144) was also allowed. Despite the redaction of documents filed with the registry, the parties were free to inspect the un-redacted documents. This demonstrates that the defendant acknowledges the commercial sensitivity of the protected information and agrees it should be protected from public access. Therefore, the current application in encl 161 falls well within the established practices of confidentiality and aligns with the principles both parties have previously adhered to. Consequently, granting this application is consistent with the court's ongoing commitment to balancing transparency and confidentiality.

[36] In general, among all the features, the most prominent and contested aspect pertains to the eligibility for membership in these clubs. In a 'two-tier' or 'external eyes-only' confidentiality clubs, parties themselves are prohibited from becoming members, allowing only the lawyers representing the parties and external expert witnesses to participate. However, this is not the case here, as the defendant is a member of a 'single-tier' confidentiality club. Given the defendant's inclusion as a member, there is no risk or prejudice to them in maintaining the confidentiality measures requested.

[37] I am therefore of the considered view that the protective and sealing order strikes a balance between the defendant's need to access documents for a fair assessment of damages and the plaintiff's right to protect confidential information. The defendant's ability to prepare their case is preserved while also

respecting the plaintiff's business interests. Implementing the protective and sealing order also promotes judicial efficiency by reducing the risk of additional litigation over the misuse of confidential information. This proactive measure ensures a smoother legal process and minimises potential conflicts.

DECISION

[38] In light of these considerations, I have allowed the plaintiffs' application for protective order as per encl 161 with costs in the cause.

Plaintiff's application for protective order allowed as per encl 161 with costs in the cause.

Reported by Dzulqarnain Ab Fatar